

1 MAKAN DELRAHIM
Assistant Attorney General, Antitrust Division

2
3 DAVID L. ANDERSON (CABN 149604)
United States Attorney

4
5 WILLIAM J. RINNER
Senior Counsel and Chief of Staff to the Assistant Attorney General, Antitrust Division

6
7 MICHAEL F. MURRAY
Deputy Assistant Attorney General, Antitrust Division

8
9 DANIEL E. HAAR
ANDREW N. DeLANEY
Attorneys, Antitrust Division
10 950 Pennsylvania Ave. NW
Washington, DC 20530
11 Telephone: (202) 598-2846
12 Facsimile: (202) 514-0536
E-mail: andrew.delaney@usdoj.gov

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14 Attorneys for the United States of America

15 UNITED STATES DISTRICT COURT
16 NORTHERN DISTRICT OF CALIFORNIA

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18 INTEL CORPORATION, APPLE INC.,
Plaintiffs,

19 v.

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21 FORTRESS INVESTMENT GROUP LLC,
22 FORTRESS CREDIT CO. LLC, UNILOC
2017 LLC, UNILOC USA, INC., UNILOC
23 LUXEMBOURG S.A.R.L., VLSI
TECHNOLOGY LLC, INVT SPE LLC,
24 INVENTERGY GLOBAL, INC., DSS
TECHNOLOGY MANAGEMENT, INC.,
25 IXI IP, LLC, and SEVEN NETWORKS,
26 LLC,
Defendants.

No. 3:19-cv-07651-EMC

**THE UNITED STATES' REPLY TO
PLAINTIFFS' RESPONSE TO THE
UNITED STATES' STATEMENT OF
INTEREST**

1 The Plaintiffs' Response (Pl. Br.) to the Department of Justice's Statement of Interest
 2 (SOI) ignores binding case law and misunderstands (or ignores) the Department's express
 3 statements.

4 *First*, the SOI states, citing Supreme Court and Ninth Circuit precedent, that "Courts have
 5 held that a properly defined market is essential in a case involving Section 7 of the Clayton Act."
 6 SOI at 5-6 (*citing United States v. Marine Bancorporation, Inc.*, 418 U.S. 602, 618 (1974)
 7 ("Determination of the relevant product and geographic markets is 'a necessary predicate' to
 8 deciding whether a merger contravenes the Clayton Act."); *see also see Saint Alphonsus Med.*
 9 *Ctr.-Nampa Inc. v. St. Luke's Health Sys., Ltd.*, 778 F.3d 775, 783 (9th Cir. 2015) (same, *quoting*
 10 *Marine Bancorporation*).) Although Plaintiffs point to a nearly two-decade old DOJ trial brief
 11 on the subject that predates the cited Ninth Circuit caselaw, *see* Pl. Br. at 2, Plaintiffs do not
 12 identify Supreme Court or Ninth Circuit caselaw that is contrary to the Department's statement
 13 in its brief. Nor does the SOI "conflict[] with. . . current public guidance on mergers," as
 14 evidenced by the very excerpts quoted by Plaintiffs. *See, e.g.*, Pl. Br. at 2 (quoting Merger
 15 Guidelines that merger analysis "need not *start* with market definition. *Some of the analytical*
 16 *tools* used by the Agencies to assess competitive effects do not rely on market definition,
 17 although *evaluation of competitive alternatives available to customers is always necessary at*
 18 *some point in the analysis*" (emphases added).) In any event, this case does not present an
 19 occasion to decide whether market definition is necessary in every Section 7 matter, as Plaintiffs
 20 (dispositively) fail to allege adequately that Defendants' aggregation of patents led to a reduction
 21 in competition, a necessary step under Section 1 and Section 7. *See* SOI at Part III.B. This
 22 failure is, at the least, informed by the failure to plead a relevant market in which an impact on
 23 competition can be assessed. *See* SOI at Part III.A.

24 *Second*, Plaintiffs misunderstand (or ignore) the Department's express nuances to
 25 wrongly accuse it of inconsistency. The purported inconsistency relates to whether Plaintiffs
 26 adequately allege the aggregation of patents meaningfully affected competition. The SOI clearly
 27 argues throughout that they did not, as the conclusory allegations of elimination of substitutes
 28 did not suffice to state a claim. *See* SOI at Parts III.A & III.B. The SOI also made the

conditional point that “[i]f the complaint were held to allege adequately the elimination of competition through acquisition or agreement, then such challenged conduct would not be exempt from antitrust enforcement under *Noerr-Pennington*.” SOI at 18-19; *see also* SOI at 18 (“For the reasons described above, the United States does not believe it is necessary to reach this issue [*Noerr-Pennington*] here as the federal antitrust claims fail for independent reasons.”).¹ The SOI is thus consistent: Plaintiffs’ conclusory allegations do not adequately allege that aggregation of patents led to the elimination of substitutes or any other reduction of competition; if the Court disagrees, however, *Noerr-Pennington* immunity should not apply to such claims.

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Respectfully submitted,

MAKAN DELRAHIM
Assistant Attorney General

DAVID L. ANDERSON
United States Attorney

WILLIAM J. RINNER
Senior Counsel and Chief of Staff to the
Assistant Attorney General

MICHAEL F. MURRAY
Deputy Assistant Attorney General

DANIEL E. HAAR
ANDREW N. DELANEY
Attorneys

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/s/ Andrew DeLaney
ANDREW N. DeLANEY

Attorneys for the United States of America

¹ The Department recognizes the distinction Plaintiffs highlight between aggregation and post-aggregation unilateral conduct. *See* Pl. Br. at 3. Plaintiffs’ actual allegations (as opposed to the characterization of their allegations) focus almost exclusively on unilateral conduct properly analyzed under Section 2 of the Sherman Act, as noted by the SOI. *See* SOI at Part III.C.